

Message Text

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ACTION SS-15

INFO OCT-01 EA-10 ISO-00 SP-02 AID-05 EB-08 STR-04
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FM AMEMBASSY TOKYO
TO SECSTATE WASHDC IMMEDIATE 647
TREASURY DEPT WASHDC IMMEDIATE

C O N F I D E N T I A L TOKYO 13292

STATE FOR UNDERSECRETARY COOPER

TREASURY FOR ASSISTANT SECRETARY BERGSTEN

PASS STR FOR AMB WOLFF

E.O. 11652: GDS
TAGS: ETRD, EFIN, JA
SUBJECT: U.S.-JAPAN SUBCABINET TALKS

1. SEPTEL PROVIDES BACKGROUND AND SUGGESTIONS AS TO WHERE WE MIGHT HOPE TO STAND AFTER THE EXTENSIVE ROUND OF U.S.-JAPANESE ECONOMIC CONSULTATIONS IN SEPTEMBER FROM MTN DISCUSSIONS THROUGH SECRETARY KREPS VISIT. THIS CABLE FOCUSES MORE SPECIFICALLY ON POSSIBLE OBJECTIVES FOR THE SUBCABINET CONSULTATIONS, WITH SOME SPECIAL ATTENTION DEVOTED TO THE FINANCIAL SUBJECTS ON THE AGENDA FOR THAT MEETING.

2. IT NOW APPEARS THAT THE JAPANESE WILL ANNOUNCE THEIR DOMESTIC STIMULUS PACKAGE BEFORE THE SUBCABINET TALKS (PROBABLY ON OR ABOUT SEPTEMBER 5) AND MEASURES TO DEAL SPECIFICALLY WITH THE EXTERNAL SURPLUS SOMETIME AFTER THE TALKS.

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3. THE FOLLOWING SUGGESTIONS FOR THE SUBCABINET TALKS ASSUME (1) THAT THE GOJ IS AS COMMITTED AS A GOVERNMENT CAN BE TO ACHIEVING ITS DOMESTIC GROWTH TARGET;
(2) THAT THERE IS VERY LITTLE WE CAN DO TO AFFECT THE DOMESTIC PLY MIX THEY UTILIZE TO REACH THIS TARGET;
(3) THAT AT LEAST AT HIGH LEVELS, THE GOJ ACCEPTS THAT THEY MUST GROW WITHOUT RELYING ON THE EXTERNAL SECTOR TO

DO SO; (4) THAT EXCHANGE RATE POLICIES WILL BASICALLY
REMAIN AS AGREED AT RAMBOUILLET.

4. ON THESE ASSUMPTIONS, WE URGE CONSIDERATION OF THE
FOLLOWING AS OUR OBJECTIVES SPECIFICALLY FOR
THE SUBCABINET TALKS:

(A) TO INSTILL A SENSE OF URGENCY
ABOUT THE NEED FOR REDUCING THE
CURRENT ACCOUNT SURPLUS.

(B) TO PLANT THE IDEA FIRMLY THAT THEIR TROUBLES
WITH THEIR TRADING PARTNERS ARE NOT TEMPORARY AND WILL
BE RECURRENT UNLESS THEY MAKE AN HONEST, AND SPECIAL, EFFORT
TO FACILITATE ACCESS TO THEIR MARKET.

(C) TO ENCOURAGE THE JAPANESE AS MUCH AS POSSIBLE TO
DECIDE THEMSELVES WHAT THE APPROPRIATE MEASURES ARE FOR REDUCING THE
SURPLUS, SO LONG AS THE MEASURES ARE EFFECTIVE AND DO NOT
CONTRAENE ACCEPTED INTERNATIONAL RULES. WE CAN, OF
COURSE, EXPRESS A GENERAL PREFERENCE FOR IMPORT
STIMULATING MEASURES, AND MAKE OTHER GENERAL POINTS AS FOLLOW.

(D) TO ENCOURAGE THE JAPANESE TO UNDERTAKE A REVIEW
OF THEIR EXPORT PROMOTION POLICIES (AND AS A COROLLARY
TO SUPPORT SUBSTANTIVE IMPROVEMENTS IN THE "EXPORT CREDIT
CONSENSUS").

(E) TO OBTAIN AGREEMENT THAT SINCE (C) AND (D) ARE
RELATIVELY LONG-TERM EFFORTS, THERE SHOULD BE SPECIAL
MEASURES IN THE SHORT-TERM (HOWEVER LIMITED THEIR IMPACT)
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TO MAINTAIN CONFIDENCE THAT JAPAN IS CONSCIOUS OF THE IMPACT OF ITS
LARGE SURPLUS OF THE WORLD ECONOMY. SUCH SPECIAL MEASURES
MIGHT INCLUDE (IN THE MTN CONTEXT OR OTHERWISE):

--AN ACROSS-THE-BOARD TARIFF CUT;

--A SUBSTANTIAL INCREASE, OR LIBERALIZATION WHERE
POSSIBLE, OF RESIDUAL QUOTA RESTRICTIONS.

(F) TO ENCOURAGE THE JAPANESE TO ELIMINATE VIRTUALLY
ALL REGULATOR PROCEDURES, OTHER THAN EX POST STATISTICAL
PROCEDURES, AFFECTING CURRENT ACCOUNT TRANSACTIONS. (THE
EXCEPTIONS MIGHT BE LIMITED TO ITEMS UNDER QUOTA AND TRADE
IN NATIONAL SECURITY SENSITIVE ITEMS.)

(G) TO REACH AGREEMENT THAT CAPITAL CONTROLS SHOULD
NOT BE FURTHER CHANGED FOR BALANCE-OF-PAYMENTS PURPOSES.

(H) TO CONVINCE THE JAPANESE THAT IT WOULD BE IN
THEIR OWN BEST INTEREST (AS A MEANS OF DEFLECTING CRITICISM
OF RESERVE INCREASES) TO SELL INTEREST EARNINGS ON
THEIR FOREIGN EXCHANGE RESERVES BACK INTO THE MARKET.

(I) TO REACH AGREEMENT ON PROCEDURES FOR FOLLOW-UP
CONSULTATIONS.

5. FOREGOING IS NOT MEANT TO BE AN EXHAUSTIVE LIST
BUT RATHER SUGGESTIVE OF WHERE WE MIGHT WISH TO PLACE

OUR EMPHASIS. THERE WILL ALMOST CERTAINLY BE QUESTIONS
AS TO THE DEGREE TO WHICH JAPAN SHOULD TAKE PRODUCT-SPECIFIC
MEASURES, SUCH AS OIL STOCKPILING,
AIRCRAFT PURCHASES, ETC. OUR THINKING IS THAT, WHILE
IT WOULD BE DIFFICULT TO SAY, "NO," ON SOME OF THESE
SPECIFIC MEASURES, WE SHOULD NOT BE EMPHASIZING THIS
ASPECT.
MANSFIELD

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Message Attributes

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Copy: SINGLE
Sent Date: 30-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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Disposition History: n/a
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